MERCATOR GROUP BRIEF BUSINESS REPORT FOR 2013

Ljubljana, January 2014

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SUMMARY

Mercator Group generated revenue of nearly EUR 2.8 billion in 2013; negative trends in operations have been reversed; net result for the year considerably better than previous year.

In 2013, Mercator Group generated revenue of EUR 2.766 billion, which is 3.7 percent less than in the year before. The drop in revenue is a result of persistent economic crisis and the resulting curbing of household expenditure, as well as the implementation of planned business decisions that are a part of the corporate restructuring process, particularly the exit from the market of Bulgaria and Albania, closing down of underperforming units and decrease of total sales area in all markets of Mercator's operations.

Despite the harsh operating environment, Mercator Group succeeded in reversing the trend of falling profitability, stabilizing the market share and its market position, deleveraging, and completing a cost optimization effort with results that exceed the expected figures.

Several projects were carried out in 2013, which have already improved our performance and the effects of which will be seen in the future. We cut operating costs, improved working capital management, carried out a major optimization in IT, and closed down underperforming units. In addition, major activities took place to refurbish and update our neighbourhood stores as we introduced the new concept of an urban store based on the "Sosed" ("Neighbour") concept, and to update our online sale. By revising the Pika customer loyalty system we have won over new customers and unified our customer loyalty system in Mercator and DP marketi stores.

Mercator Group wrapped up the year with a loss of EUR 26.8 million. Relative to last year, the loss has been cut by EUR 77.8 million; this difference mainly pertains to the write-offs and impairments recognized in 2012.

In retail network development, we further pursued in 2013 our strategy of acquiring new sales area by lease, and we continued our efforts to update and refurbish the existing units. Funds for investments were very limited this year due to financial restructuring. They amounted to EUR 29.5 million, which is only 36.6% of depreciation, and were mainly used for the refurbishments of the existing sales units. In 2013, Mercator Group disposed of EUR 9,487 thousand worth of property, plant and equipment.

By closing down all business units in Bulgaria, we fully withdrew from this market. Changes took place in other markets as well, where the companies Intersport, Modiana, and Tehnika are present. These have been merged with Mercator's local companies in respective markets – Croatia, Serbia, and Bosnia and Herzegovina. In Slovenia, the company M - Tehnika, d.d., was merged with the company Mercator, d.d.; Intersport, d.o.o., remains an independent entity; the company Modiana, d.o.o., will be merged with the parent company in 2014.

The year 2013 was highly challenging in terms of financial management as the Mercator Group was in the midst of a financial restructuring process. In 2013, the Group signed a Pre-negotiation agreement with creditor banks, followed by an Amended and Restated Pre-Negotiation Agreement. In November 2013, Mercator Group reached an agreement in principle with lenders steering committee regarding the key commercial terms of long-term restructuring of financial liabilities of the companies within the Group; further, the key task is to reach an agreement with the remaining creditors. In December 2013, an agreement was reached with the majority of creditors with regard to the extension of the Pre-negotiation Agreement up to and including March 31, 2014, which would allow the time required for completion of the financial restructuring.

The signing of the Mercator Group financial restructuring agreement is of key importance for successful further pursuit of strategic business restructuring projects focusing on our core activity of fast-moving consumer goods retail and on improvement of the profitability of our operations.

In an extremely challenging year together with our employees we have managed to achieve all the goals and successfully charted the way for a new image of a successful Mercator. On the way, we are aware that we are not alone. From other stakeholders, who at the moment are deciding on the fate of Mercator, we expect that they are aware of their responsibilities in paving of future results. We expect that all processes related to financial and equity restructuring will be completed in the shortest possible time and thus enable the company to focus on its core activity.

PERFORMANCE HIGHLIGHTS

Summary of Mercator Group operations in the period 2007-2013

	2007	2008	2009	2010	2011 restated	2012	2013	Index 2013/2012
INCOME STATEMENT								
Revenue (in EUR 000)	2,445,258	2,708,560	2,643,315	2,781,604	2,870,971	2,873,186	2,765,868	96.3
Results from operating activities (in EUR 000)	91,335	100,327	71,842	94,505	76,841	-42,147	26,776	-
Profit (loss) before income tax (in EUR 000)	54,475	49,993	25,196	40,344	19,940	-110,279	-27,302	24.8
Profit (loss) for the year (in EUR 000)	43,814	40,761	21,119	30,387	12,489	-104,620	-26,786	25.6
Gross cash flow from operating activites (EBITDA) (in EUR 000)	162,046	176,773	167,296	170,087	158,146	108,745	107,382	98.7
Gross cash flow from operating activites before rental expenses (EBITDAR) (in EUR 000)	171,781	198,158	190,619	204,846	202,330	167,242	165,855	99.2
BALANCE SHEET								
Total assets (in EUR 000)	2,070,473	2,540,122	2,476,348	2,586,759	2,613,659	2,522,820	2,433,167	96.4
Equity (in EUR 000)	688,196	814,101	805,390	776,704	756,457	663,249	630,272	95.0
Net financial debt (in EUR 000)	749,439	958,881	986,966	949,081	1,091,145	1,008,034	957,127	94.9
INVESTMENT ACTIVITIES								
Capital expenditure (in EUR 000)	164,850	298,305	157,353	116,394	119,715	67,330	29,499	43.8
Long-term financial investments (in EUR 000)	49,221	15,104	1,801	0	2,248	9	0	0.0
EMPLOYEES								
Number of employees as at the end of the period	20,893	21,636	21,404	23,482	24,266	23,920	22,922	95.8
Number of employees based on hours worked	19,099	20,438	20,266	21,632	22,602	22,769	22,239	97.7
FINANCIAL INDICATORS								
Revenue per employee based on hours worked (in EUR 000)	128.0	132.5	130.4	128.6	127.0	126.2	124.4	98.6
Value added per employee per hours worked (in EUR 000)	22.9	22.8	22.0	21.4	22.5	20.4	20.3	99.3
Return on sales	1.8%	1.5%	0.8%	1.1%	0.4%	-3.6%	-1.0%	26.6
Return on equity	6.8%	5.6%	2.6%	3.9%	2.4%	-13.7%	-4.1%	29.6
Net financial debt / equity	1.09	1.18	1.23	1.19	1.44	1.52	1.52	99.9
Net financial debt / gross cash flow from operating activities (EBITDA)	4.62	5.42	5.90	5.58	6.90	9.27	8.91	96.2
Gross cash flow from operating activites (EBITDA) / revenue	6.6%	6.5%	6.3%	6.1%	5.5%	3.8%	3.9%	102.6
Gross cash flow from operating activites before rental expenses (EBITDAR) / revenue	7.0%	7.3%	7.2%	7.4%	7.0%	5.8%	6.0%	103.0
SHAREHOLDERS INFORMATION								
Market value per share as at the end of the period (in EUR)	335.0	158.1	153.2	157.7	147.0	114.0	82.0	71.9
Dividend per share (in EUR)	4.00	4.25	4.50	7.20	8.00	6.00	0.00	0.0
Earnings per share (in EUR)	11.8	10.9	5.7	8.2	3.3	-27.8	-7.1	25.6
NUMBER OF COMPANIES IN THE GROUP								
Number of companies in the group as at December 31	16	20	23	26	26	36	17	47.2

MERCATOR GROUP BUSINESS STRATEGY

Vision

Mercator will be the largest, the most successful and the most efficient retailer in the region.

Poslanstvo

- A satisfied customer recognizes us as the best retailer that offers everything the competitors can offer, at better terms, and much more.
- Employees with **smiles on their faces and sparkles in their eyes** are our key competitive advantage. They will be able to develop their potential in a stable environment.
- We are striving towards a **stable equity structure** that will support the company development based on merit and results.
- Mercator is striving to win the **confidence of all stakeholders.**

Principles of corporate governance

Our work shall be:

Motivated

Elementarily simple

Rational

Common goal oriented

Ambitious

Thorough

Oriented on profitability and development

Rapturous

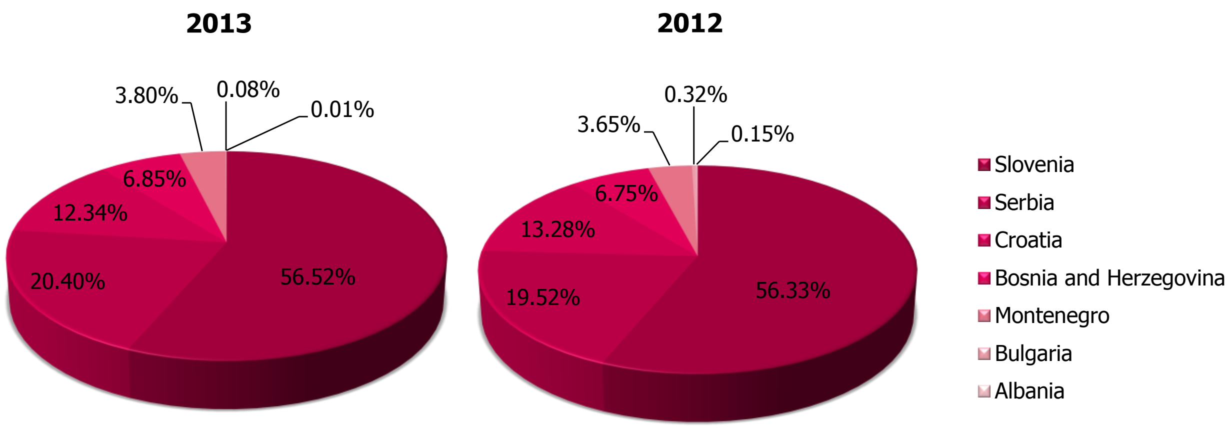
SALES

In 2013, economic growth was negative in Slovenia and Croatia and positive in other markets of Mercator's operations.

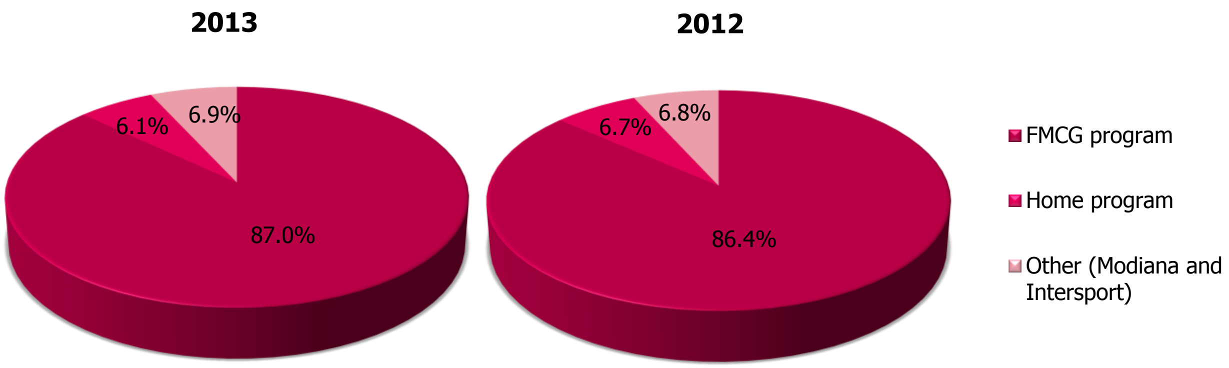
In 2013, Mercator Group's **revenue amounted to EUR 2,766 million**, which is 3.7% less than in the year before.

In Slovenia, revenue dropped by 3.4%. Revenue increased slightly in Serbia (0.6%) and Montenegro (0.4%), while dropped in Bosnia and Herzegovina (by 2.3%) and in Croatia (by 10.5%). As a result of withdrawal from the markets of Bulgaria and Albania, revenue in these two countries was minimal.

Mercator Group revenue by geographical segments:

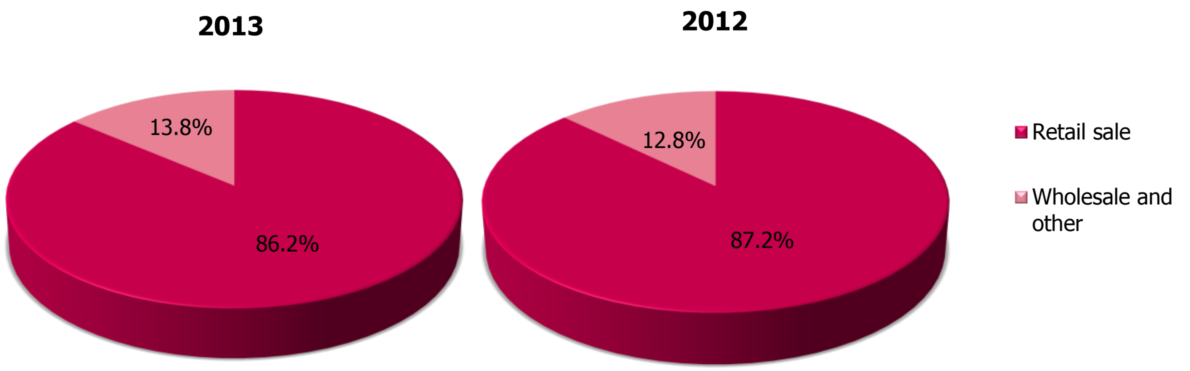


Mercator Group revenue from trade operations by programs:



In 2013, the majority of Mercator Group trade revenue resulted from sales of fast-moving consumer goods as they accounted for 87 percent of total net sales revenues; revenues from other specialized programs amounted to 13 percent. Decrease of revenue in home products program is also a result of the shrinking of the assortment at M Tehnika at the end of 2012 when we discontinued sale of furniture at our technical consumer goods stores.

Mercator Group revenue by type of sale:



In 2013, Mercator Group retail operations generated 86.2 percent of the Group's net revenue from sales of goods and material, while the remaining 13.8 percent was generated in wholesale and other. The share of wholesale in total sales thus rose by 1 percentage point, which is consistent with the opening of two wholesale units, in Slovenia and Serbia respectively.

INVESTMENT AND DIVESTMENT

In 2013, Mercator Group conducted tasks consistently with the adopted strategy in real property management, subject to conditions prevalent in the domestic and international financial markets. In investment, preference was given to acquiring real property on lease, and to refurbishment our existing stores. A new concept of neighbourhood store redesign, Mercator SOSED (NEIGHBOUR) was developed, according to which we refurbished five FMCG stores this year. In 2014, refurbishment efforts will continue at other stores.

We did not construct any own facilities in 2013, except for the replacement Cash & Carry facility in Požarevac, Serbia, where constructing a new facility was a more cost-effective option than refurbishment. Investment funds were used for refurbishment and update of the existing retail network and completion and equipping of leased store area.

In 2013 we prepared a new overview of real estate portfolio, classifying it by the fields of use. It was our goal to divest as much non-core and underperforming assets as possible. Thus, we divested through tenders 34 pieces of property, 31 of which in Slovenia. Moreover, it was our goal to expand our network in the areas with the highest return on investment.

We continued to update Mercator's shopping centers and we fully refurbished the Mercator Center Koper I. In addition, we continued to integrate the offer of internationally renowned brands at our shopping center by leasing out retail area to their providers.

Investment and divestment

In 2013, Mercator Group investment into property, plant, and equipment (CAPEX) amounted to EUR 29.5 million. Of this amount, 57.6% was invested in Slovenia, and 42.4% was invested internationally.

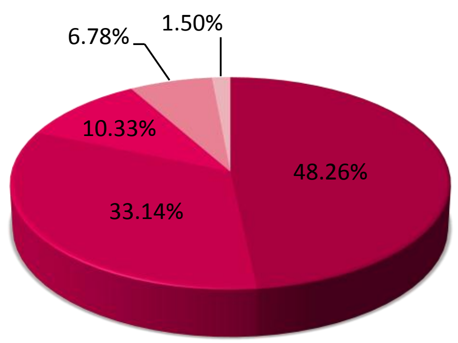
	CAPEX in 2013 (in EUR 000)	Structure (in %)
Slovenia	17,008	57.66%
Serbia	6,923	23.47%
Montenegro	2,636	8.94%
Croatia	2,184	7.40%
Bosnia and Herzegovina	746	2.53%
Bulgaria	2	0.01%
TOTAL	**29,499**	**100.00%**

Investments in expansion of retail facilities (Mercator centers, trade centers, Roda centers, individual stores, and stores within other shopping centers) represent 29.4% of total investments; 40.4% was allocated for refurbishment of the existing facilities; and the remaining 30.2% was invested into logistics, IT, and non-trade activities.

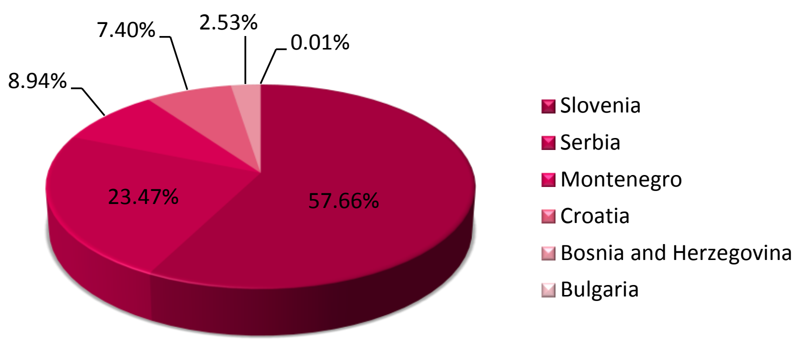
In 2013, Mercator Group acquired 24 new units spanning a total of 20,356 square meters. Of this area, 63% was acquired through operating lease and 37% was acquired by constructing replacement facilities or refurbishment of existing units.

In 2013, Mercator Group disposed of EUR 9,487 thousand worth of property, plant and equipment.

Share of newly launched facilities by markets:



Share of investments by markets:



EFFECT OF ECONOMIC CONDITIONS AND COMPETITION ON MERCATOR GROUP OPERATIONS IN 2013

Economic conditions in 2013

In 2013, the effects of the financial crisis continued to burden the economies of all markets of Mercator's operations. Gross domestic product (GDP) growth was negative in Slovenia and Croatia, and positive in other Mercator's downstream markets. In 2014, further drop is only anticipated in Slovenia, which, however, is Mercator's largest market.

Slovenia is strongly dependent on the economy of the European Union, which is, according to the autumn forecast of European commission, estimated to have remained at the same level in 2013 as in 2012 (although growth can be seen in the last months of the year); in the euro zone, the economy is expected to shrink by 0.4%. Ten European Union member states are estimated to have seen a decline in the GDP in 2013. In 2014, only two are expected to see negative GDP growth; sadly, Slovenia is one of them. Gross domestic product is forecast to rise in 2014 by 1.4% in the European Union and by 1.1% in the euro zone. Growth is also expected for 2015 when GDP is anticipated to increase by 1.9% in the European Union and by 1.7% in the euro zone. Growth in 2015 is also forecast for all European Union countries. Inflation in the period 2014-2015 is expected to remain low, around 1.5%.

Effect of market situation on consumption

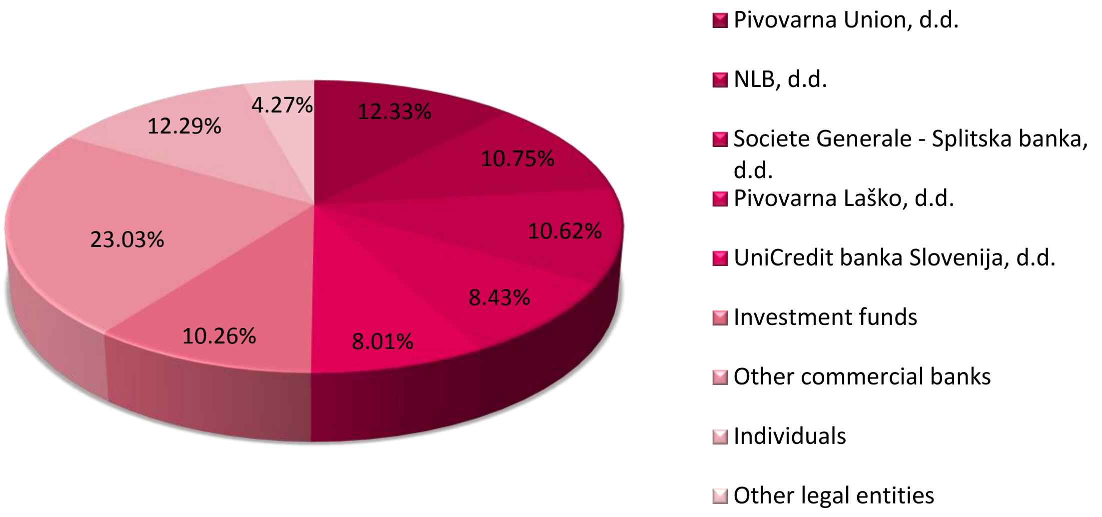
In 2013, economic activity in all markets of Mercator's operations was still under strong pressure of the effects of the financial crisis. Unemployment rates remain relatively high, especially in the market of Bosnia and Herzegovina, while the situation has improved slightly in Serbia and Montenegro. Purchasing power remains low and consumers continue to be conservative in their decisions, dispersing their shopping over a larger number of retailers. As a result of economic hardship and conservative stance of the consumers, competition in all markets has grown even more stringent.

Consumer confidence in Slovenia was slightly more optimistic in 2013 than in the year before – the consumer confidence indicator rose by 2 percentage points, as surveyed by the national statistical office. According to Nielsen data, however, consumer confidence in Slovenia remained below the European average. Most consumers believe the country is still in a recession (over 94%) and they do not expect improvement in the coming year (over 80% of respondents). Security of their employment is their prime concern. Most consumers cannot afford the things they need or wish. A good quarter of the consumers are left with no funds after paying for the basic costs of living. Those who do have some surplus available mostly use it for savings or debt repayment. Consumers have adapted their consumption to reduce household expenditure relative to the year before in the following ways: mostly by switching to lower-priced brands of food, by reducing their budget spent on clothing and out-of-home entertainment, and by delaying the purchase of the latest technological gadgets.

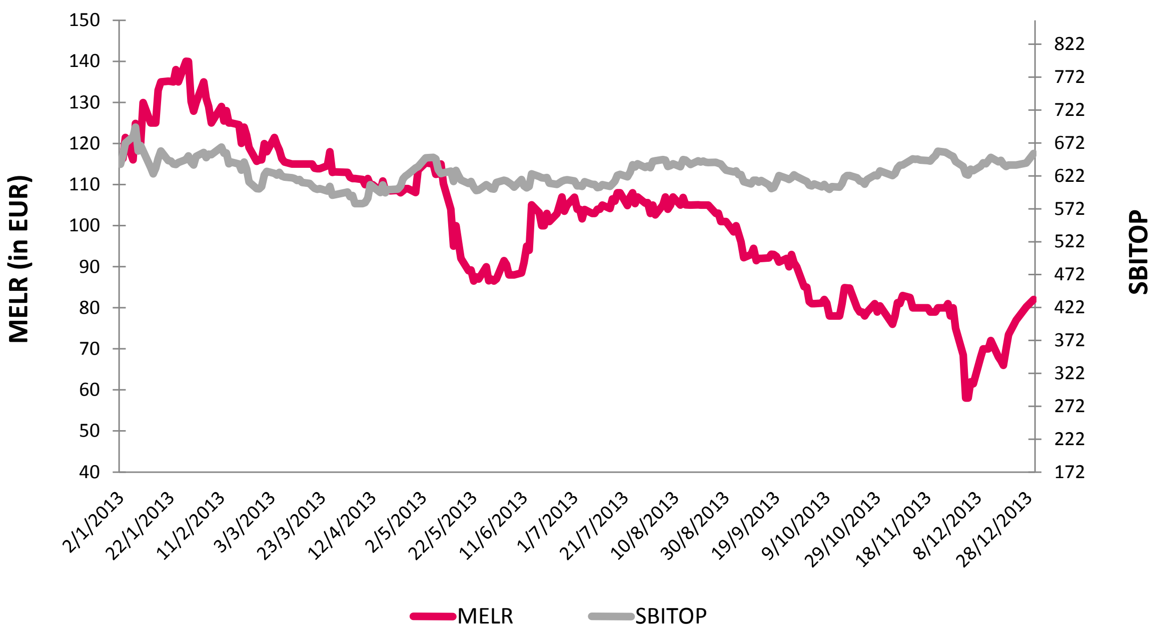
According to the Nielsen consumer confidence survey, consumer confidence rate in Croatia remains among the lowest in Europe. Consumers have responded to the recession by only purchasing the essential products of the FMCG program, proactively searching for products offered at special (reduced) prices, and generally by decreasing the amount of their shopping. In Serbia, consumers are more rational and price-sensitive. They tend to plan their shopping and they do not opt for major shopping sessions. They only buy the essential groceries, actively look for products included in special offers, and generally buy less. Economic crisis has also spurred the growth of the informal (grey) market which has had an effect on the legitimate sales channels. In the market of Bosnia and Herzegovina and Montenegro, where purchasing power is as much as three times lower than the European average, consumers have been buying less, opting only for essential products, and actively searching for products included in special offers; in addition, the size of the average shopping basket has decreased.

MERCATOR SHARE

Ownership structure of the company Poslovni sistem Mercator, d.d., as at December 31, 2013:



Movement of closing price per MELR share in 2013, compared to the movement of the SBITOP index



Key information for the shareholders

	Dec. 31, 2013	Dec. 31, 2012	Index Dec. 31, 2013/ Dec. 31, 2012
Number of shares registered in Court Register	3,765,361	3,765,361	100.0
Number of treasury shares	42,192	42,192	100.0
Market capitalization (in EUR)	308,759,602	429,251,154	77.6
Market value of share (in EUR)	82.00	114.00	77.6
Book value per share (in EUR)	184.40	198.82	89.6
Minimum close rate in the period (in EUR)	58.00	111.00	81.6
Maximum close rate in the period (in EUR)	140.05	151.95	83.5
Average close rate in the period (in EUR)	100.70	123.46	75.8
Earnings per share (in EUR)	(6.2)	(20.8)	(249.1)
Price/earnings ratio (P/E)	(13.2)	(5.5)	(31.1)
Capital gains yield (in %)	(28.07)	(22.45)	330.9
Dividend yield (in %)	0.00	4.08	80.5
Total yield (in %)	(28.07)	(18.37)	1,072.8

Market capitalization is calculated by multiplying the number of shares entered into the court register as at 31 December with market price per share as at 31 December.
Earnings per share is calculated as the ratio between net profit of the company Poslovni sistem Mercator, d.d., and weighted average number of ordinary shares in the period at hand, excluding the treasury shares.
Share book value is calculated as the ratio between the value of the equity of the company Poslovni sistem Mercator, d.d., as at 31 December, and the weighted average number of ordinary shares in the period at hand, excluding treasury shares.
P/E (price-to-earnings ratio) is calculated as the ratio between market price per share as at 31 December and net profit per share.
Capital gain is calculated as the ratio between market price per share as at 31 December in the period at hand and market price per share as at 31 December in the previous period.
Dividend yield is calculated as the ratio between dividend per share and market price per share as at 31 December.

MERCATOR GROUP UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR 2013

Mercator Group unaudited statement of financial position

in EUR 000	Dec. 31, 2013	Dec. 31, 2012	Index Dec. 31, 2013/ Dec. 31, 2012
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets	1,831,336	1,896,316	96.6
Loans and other receivables	69,945	71,481	97.9
	1,901,281	**1,967,796**	**96.6**
Current assets			
Inventories	264,799	267,711	98.9
Trade and other receivables	235,217	246,460	95.4
Cash and cash equivalents, and loans	31,870	40,852	78.0
	531,886	**555,023**	**95.8**
Total assets	**2,433,167**	**2,522,820**	**96.4**
EQUITY	**630,272**	**663,249**	**95.0**
LIABILITIES			
Non-current liabilities			
Trade and other payables, deffered tax liabilities	52,511	55,102	95.3
Financial liabilities	352,924	593,841	59.4
Provisions	25,047	31,459	79.6
	430,481	**680,402**	**63.3**
Current liabilities			
Trade and other payables	686,061	673,021	101.9
Financial liabilities	684,884	500,879	136.7
Derivative financial liabilities	1,469	5,269	27.9
	1,372,414	**1,179,169**	**116.4**
Total liabilities	**1,802,895**	**1,859,571**	**97.0**
Total equity and liabilities	**2,433,167**	**2,522,820**	**96.4**

Mercator Group unaudited income statement

in EUR 000	2013	2012	Index 2013/2012
Revenue	2,765,868	2,873,186	96.3
Cost of sales	(2,667,295)	(2,745,203)	97.2
Administrative expenses	(94,704)	(190,258)	49.8
Other income	22,907	20,128	113.8
Profit from operating activities	**26,776**	**(42,147)**	**-**
Net finance expenses	**(54,078)**	**(68,132)**	**79.4**
Profit before income tax	**(27,302)**	**(110,279)**	**24.8**
Tax	516	5,659	9.1
Result for the financial period	**(26,786)**	**(104,620)**	**25.6**
Gross cash flow from operating activities (EBITDA)	**107,382**	**108,745**	**98.7**
Gross cash flow from operating activities before rental expenses (EBITDAR)	**165,855**	**167,242**	**99.2**

Expenses

in EUR 000	2013	2012	Index 2013/2012
Cost of material	74,814	77,630	96.4
Cost of service	212,994	225,219	94.6
Amortization and depreciation	80,605	81,789	98.6
Cost of provisions	888	5,021	17.7
Labour costs	284,518	297,052	95.8
Other expenses	15,219	14,710	103.5
TOTAL COSTS	**669,038**	**701,421**	**95.4**

Notes to Mercator Group unaudited financial statements

Notes to condensed consolidated income statement

Revenue

In 2013, Mercator Group generated EUR 2,765,868 thousand of revenue, which is 3.7% less than in 2012. Revenue dropped by 3.4% in Slovenia and by 4.1% in international markets. In Slovenia, the largest drop in revenue relative to the year before was seen in home product program and textile/apparel program. Abroad, the change of revenue over the last year differs by countries. Taken as a whole, the drop is mostly a result of the withdrawal from Bulgaria and Albania, and competition in Croatia where revenue dropped by 10.5%.

Costs of sales

Mercator Group costs of sales which include the cost of goods sold, production costs, selling and marketing costs, and other expenses, amounted to EUR 2,667,295 thousand in 2013, which is a 2.8-percent decrease over last year.

Cost of goods sold was lower by 3.4% relative to last year. In 2013, due to declining liquidity, early payment discounts were also lower by approximately EUR 1.8 million because of worsened situation in the financial markets. Other expenses in 2013 were lower than in the year before by as much as EUR 9,854 thousand. In 2012, these expenses were considerably higher especially due to the costs related to the withdrawal from Bulgaria and Albania.

Costs

Mercator Group's administrative expenses in 2013 amounted to EUR 94,704 thousand.

Total expenses, consisting of selling and marketing costs (included in costs of sales), production costs, and administrative expenses amounted to EUR 670,644 thousand in 2013, a decrease of 3.7% over the last year's figure. The biggest decrease was seen in provisions, impairments and receivable write-offs, and other expenses. These categories were affected by last year's write-offs.

Cost rationalization was pursued further in 2013 and it included savings in costs of material and services. Major savings were also made in labour costs, following the reorganization in March.

Results from operating activities

In 2013, Mercator Group result from operating activities was EUR 26,776 thousand, which is an improvement over last year when it saw a loss, mostly due to major impairments and write-offs.

Net finance expenses

Net finance expenses were lower by EUR 14,054 thousand relative to the year before. Last year, these expenses were much higher due to negative currency translation differences as the Serbian dinar and Croatian kuna depreciated, and due to higher revaluation adjustments to trade receivables.

Profit before income tax

Mercator Group's profit before income tax in 2013 was negative at EUR -27,302 thousand. The loss is mostly a result of a drop in sales in nearly all markets. Cost rationalization has resulted in a decrease of all major categories of costs; however, this cannot compensate the reduction in the margin as a result of the shrinkage of revenues, in addition, some effects of activities in relation to the rationalization will be revealed only over time.

Profit for the financial period

Mercator Group's net loss for the 2013 fiscal year amounted to EUR -26,786 thousand.

Gross cash flow from operating activities (EBITDA) and Gross cash flow from operating activities before rental expenses (EBITDAR)

Mercator Group's Gross cash flow from operating activities (EBITDA) for 2013 amounts to EUR 107,382 thousand. The relevant indicator of the ability to generate operating cash flow, which also accounts for the expansion of Mercator Group's retail network through operating lease is the Gross cash flow from operating activities before rental expenses (EBITDAR), which amounted to EUR 165,855 thousand in 2013.

Notes to condensed consolidated statement of financial position

Assets

Mercator Group assets as at December 31, 2013 amounted to EUR 2,433,167 thousand, which is EUR 89,653 thousand less than at the end of 2012.

As at December 31, 2013, the value of Mercator Group non-current assets amounted to EUR 1,901,281 thousand, which is EUR 66,515 thousand less than as at December 31, 2012. The largest share of non-current assets (96.3% or EUR 1,831,336 thousand) is represented by property, plant, and equipment, the value of which was EUR 64,980 thousand lower than as at the end of 2012 as a result of lower investment which was lower than depreciation and negative currency translation differences.

As at December 31, 2013 the value of Mercator Group current assets amounted to EUR 531,886 thousand, which is EUR 23,137 thousand less than at the end of 2012. The largest share thereof includes inventories (49.8%) and trade and other receivables (44.2%). In 2013, the Group further pursued the activities to optimize working capital management, which resulted in decrease of inventories and receivables.

Equity and liabilities

As at December 31, 2013 company equity amounted to EUR 630,272 thousand. Main changes to equity in 2013 pertain to profit/loss for the year 2013 in the amount of EUR -26,786 thousand.

As at December 31, 2013, total financial liabilities amounted to EUR 1,037,807 thousand, which is EUR 56,912 thousand less than as at the end of 2012. The decrease is the result of the Group's efforts to reduce its debt, and the Group's financial restructuring. Net financial debt of the Mercator Group, calculated as the difference between financial liabilities and financial assets, amounted to EUR 957,127 thousand as at December 31, 2013 (December 31, 2012: EUR 1,008,034 thousand).

Net financial debt of the Mercator Group as at December 31, 2013:

in EUR 000	Dec. 31, 2013	Dec. 31, 2012	Index Dec. 31, 2013/ Dec. 31, 2012
Non-current financial liabilities	352,924	593,841	59.4
Current financial liabilities	684,884	500,879	136.7
Derivative financial instruments (liabilities)	1,469	5,269	27.9
Financial liabilities including derivative financial instruments	**1,039,276**	**1,099,990**	**94.5**
Cash and cash equivalents	26,370	38,012	69.4
Derivative financial instruments (assets)	16	1	1,600.1
Available-for-sale financial assets	820	1,069	76.7
Loans and deposits	54,942	52,872	103.9
Financial assets	**82,149**	**91,955**	**89.3**
NET FINANCIAL DEBT	**957,127**	**1,008,034**	**94.9**

As at December 31, 2013 provisions amounted to EUR 25,047 thousand. Compared to the end of 2012, provisions decreased by EUR 6,413 thousand, mostly due to partial reversal of provisions for legal claims and provisions for retirement benefits and jubilee premiums.

Trade and other payables as at December 31, 2013 amounted to EUR 687,170 thousand, which is EUR 11,850 thousand more than at the end of 2012. The increase in trade payables is a result of optimization of working capital, as well as deleveraging efforts.

As at December 31, 2013, long-term coverage of non-current assets with non-current liabilities at the Mercator Group amounted to 55.8%, which is 12.5 percentage points less than as at the end of 2012.

Mercator Group performance plans for 2014

For 2014, Mercator Group is planning to improve its performance, especially by consistent implementation of **cost-cutting and marketing measures** to improve Mercator's competitiveness as perceived by the customers. **The successful implementation of the financial restructuring** will have a significant impact on improved operations.

In 2014, most markets of Mercator's operations will continue facing with low purchasing power and reducing consumption. Lower positive economic growth is forecasted only for the markets of Serbia, Bosnia and Herzegovina, and Montenegro, while Croatia and Slovenia will not follow a positive trend in the market.

in EUR 000	**2013**	**Plan 2014**
Revenue	2,765,868	2,672,342
Cost of sales	(2,667,295)	(2,554,993)
Gross profit	**98,574**	**117,349**
Administrative expenses	(94,704)	(93,875)
Other income	22,907	11,410
Profit from operating activities	**26,776**	**34,884**
Net finance expenses	**(54,078)**	**(33,872)**
Profit before income tax	**(27,302)**	**1,012**
Tax	516	(673)
Result for the financial period	**(26,786)**	**339**
Gross cash flow from operating activities (EBITDA)	**107,382**	**113,565**
Gross cash flow from operating activities before rental expenses (EBITDAR)	**165,855**	**170,201**